

Office of the Legislative Auditor

State of Montana



April 1991

Report to the Legislature

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1990

Office of the Commissioner of Political Practices

This report contains two recommendations for improvement of the office's operations. These recommendations relate to compliance with state laws and appropriation restrictions.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1989 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

April 1991

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the office of the Commissioner of Political Practices for the two fiscal years ending June 30, 1990. Included in this report are recommendations concerning compliance with appropriations language and state laws. The office's response is located at the end of the report.

We thank the Commissioner and her staff for their assistance and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott A. Seocat", written over a horizontal line.

Scott A. Seocat
Legislative Auditor

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Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1990

Office of the Commissioner of Political Practices

Members of the audit staff involved in this audit were Boyd D. Gackle and Julie Quist.

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Appointed Official

**Commissioner of
Political Practices**

Term
Expires

Dolores Colburg, Commissioner

12/31/92

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office submit reports to the legislature and governor as required by state law. 4

Agency Response: Concur. See page 18.

Recommendation #2

We recommend the office:

A. Implement a budget monitoring system to ensure the initial approved operating plan is recorded on the Statewide Budgeting and Accounting System, and 6

B. Submit operating plan amendments when modifications to the original operating plan are needed. 6

Agency Response: Concur. See page 18.

Introduction

We performed a financial-compliance audit of the office of the Commissioner of Political Practices (office) for the two fiscal years ended June 30, 1990. The objectives of the audit were to:

1. Determine if the office complied with applicable laws and regulations.
2. Make recommendations for the improvement in the management and internal controls of the office.
3. Determine if the office's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1990.
4. Determine the status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations contained in this report.

Background

The office of the Commissioner of Political Practices was created by the 1975 Legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the senate. A four-member selection committee comprised of the Speaker of the House, the President of the Senate, and the minority floor leaders of both houses of the legislature submit a list to the governor of two to five names of individuals for consideration.

The primary duties of the commissioner include:

1. Monitoring disclosures of financial contributions to and expenditures of Montana political committees and candidates.
2. Registering lobbyists and monitoring lobbying activities and financial disclosure.
3. Investigating all alleged violations of the state's campaign financing and practice laws and lobbying disclosure laws.

Introduction

The office was authorized the following full-time employees (FTE) and appropriations:

Table 1		
<u>Authorized Employee FTE and Appropriations</u>		
	Fiscal Year <u>1988-89</u>	Fiscal Year <u>1989-90</u>
FTE	3	3
General Fund	\$102,125	\$108,344
Special Revenue Fund	4,800	0
Source: Statewide Budgeting and Accounting System and Appropriations Report, 1991 Biennium		

The office is attached to the office of the Secretary of State for administrative purposes.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1988. The report contained two recommendations. The office implemented one and did not implement one. The recommendation not implemented concerns the requirement the commissioner issue an annual report to the legislature and governor, and is discussed on page 4.

Findings and Recommendations

Compliance with State Laws and Appropriation Restrictions

As a part of our audit of the office, we tested compliance with state laws, policies, and procedures. This testing included ensuring the office complied with restrictive language contained in the general appropriation bills. The following report sections discuss concerns noted during our current review of compliance with state law and appropriation restrictions.

Annual Reports

Section 13-37-120, MCA, requires the commissioner to submit, at the close of each fiscal year, a report to the legislature and the governor. The report shall contain any actions the commissioner has taken, the names, salaries, and duties of each individual in her employ, as well as the money she has disbursed. The commissioner shall also make further reports on the matters within her jurisdiction that the legislature may prescribe and shall also make recommendations for further legislation that may appear desirable.

These reports were not submitted in fiscal years 1988-89 and 1989-90. The commissioner stated she made a judgment among competing priorities for her time. Completing the annual reports did not receive as high a priority as investigating complaints on elections. This compliance area was addressed in our two prior audits. The office concurred with but did not implement the prior recommendations.

Recommendation #1

We recommend the office submit reports to the legislature and governor as required by state law.

Findings and Recommendations

Compliance with Approved Operating Plans

House Bill 100, Laws of 1989, section 7, states:

"Expenditures by a state agency must be made in substantial compliance with an operating budget approved by an approving authority. . . Substantial compliance means that no category in the approved operating budget may be exceeded by more than 5 percent, provided that no funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may be expended under any other category. . . In no case may the personal services category detail include an amount less than the amount indicated in the personal services detail. . . plus money appropriated to fund the state employee pay plan. . . Each agency shall record its operating budgets and any approved changes on the statewide budgeting and accounting system. . ."

The following shows the office's approved operating plan, the operating plan it recorded on the state's accounting records, and its actual fiscal year 1989-90 expenditures:

Table 2			
<u>Operating Budget and Actual Expenditures</u>			
<u>Category</u>	<u>Approved Operating Budget</u>	<u>Budget Recorded on the State's Accounting Records</u>	<u>Fiscal Year 1989-90 Expenditures</u>
Personal Services	\$ 82,040	\$ 81,119	\$ 81,048
Operating Expenses	26,304	27,225	23,377
Equipment	0	0	1,687
Total	\$108,344	\$108,344	\$106,112
Source: Appropriations Report, 1991 Biennium and Statewide Budgeting and Accounting System.			

As shown above, the operating budget the office recorded on the state's accounting system did not agree to the approved operating plan. In addition, the office expended funds for equipment even though it did not have authority within its

Findings and Recommendations

operating plan for equipment expenditures. Therefore, the office exceeded its equipment expenditure category by more than 5 percent of its approved operating budget by expending \$1,687 of operating budget authority for equipment. To properly account for the expenditures in excess of the authorized equipment budget, the office should have submitted an operating plan amendment transferring operating budget authority to equipment budget authority.

Office personnel stated they did not record the approved operating plan on the state's accounting records due to a misunderstanding of a conversation with the Governor's Office of Budget and Program Planning. Office personnel further stated they had not requested an operating plan amendment to transfer operating budget authority to equipment budget authority due to an oversight.

Recommendation #2

We recommend the office:

- A. Implement a budget monitoring system to ensure the initial approved operating plan is recorded on the Statewide Budgeting and Accounting System, and**
- B. Submit operating plan amendments when modifications to the original operating plan are needed.**

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

The unqualified opinion on the Schedule of Changes in Fund Balance, the Schedule of Budgeted Revenue - Estimate and Actual, and the Schedule of Budgeted Program Expenditures by Object and Fund for the two fiscal years ended June 30, 1990, means the reader of the financial schedules may rely on the fairness of the information presented.

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

DEPUTY LEGISLATIVE AUDITORS

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the office of the Commissioner of Political Practices for each of the two fiscal years ending June 30, 1989 and 1990, as shown on pages 10 through 14. The information contained in these schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the office's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the office of the Commissioner of Political Practices for the two fiscal years ending June 30, 1989 and 1990, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

January 31, 1991

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>
FUND BALANCE: July 1, 1988	\$ <u>0</u>	\$ <u>519</u>
ADDITIONS:		
<u>Fiscal Year 1988-89</u>		
Nonbudgeted Revenue	4,450 ¹	
Budgeted Revenue		2,533
Direct Entries to Fund Balance	519 ²	
Support From State of Montana	96,536	
<u>Fiscal Year 1989-90</u>		
Nonbudgeted Revenue	147 ¹	
Budgeted Revenue	2,475	
Prior Year Expenditure Adjustments	1	
Support From State of Montana	<u>103,504</u>	
Total Additions	<u>207,632</u>	<u>2,533</u>
REDUCTIONS:		
<u>Fiscal Year 1988-89</u>		
Budgeted Expenditures	101,505	2,533
Direct Entries to Fund Balance		519 ²
<u>Fiscal Year 1989-90</u>		
Budgeted Expenditures	106,112	
Direct Entries to Fund Balance	<u>15</u>	
Total Reductions	<u>207,632</u>	<u>3,052</u>
FUND BALANCE: June 30, 1990	\$ <u>0</u>	\$ <u>0</u>

¹See note 5.

²See note 6.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13 and 14.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF BUDGETED REVENUE - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

	Charges For <u>Services</u>
<u>Fiscal Year 1989-90</u>	
GENERAL FUND	
Estimated Revenue	\$ 1,800
Actual Revenue	<u>2,475¹</u>
Collections Over	
(Under) Estimate	\$ <u><u>675</u></u>
 <u>Fiscal Year 1988-89</u>	
SPECIAL REVENUE FUND	
Estimated Revenue	\$ 4,800
Actual Revenue	<u>2,533¹</u>
Collections Over	
(Under) Estimate	\$ <u><u>(2,267)</u></u>

¹See note 6.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13 and 14.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

	<u>Administration</u>	
	<u>1989-90</u>	<u>1988-89</u>
PERSONAL SERVICES		
Salaries	\$ 66,334	\$ 57,099
Employee Benefits	<u>14,714</u>	<u>11,976</u>
Total	<u>81,048</u>	<u>69,075</u>
OPERATING EXPENSES		
Other Services	9,165	14,942
Supplies & Materials	758	2,773
Communications	4,993	3,826
Travel	1,219	1,026
Rent	4,933	4,701
Repair & Maintenance	711	626
Other Expenses	<u>1,598</u>	<u>591</u>
Total	<u>23,377</u>	<u>28,485</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment	1,006	5,657
Intangible Assets	<u>681</u>	<u>821</u>
Total	<u>1,687</u>	<u>6,478</u>
TOTAL PROGRAM EXPENDITURES	<u>\$106,112</u>	<u>\$ 104,038</u>
GENERAL FUND		
Budgeted	\$108,344	\$ 102,125
Actual	<u>106,112¹</u>	<u>101,505¹</u>
Unspent Budget Authority	<u>\$ 2,232</u>	<u>\$ 620</u>
SPECIAL REVENUE FUND		
Budgeted		\$ 4,800
Actual		<u>2,533¹</u>
Unspent Budget Authority		<u>\$ 2,267</u>

¹See note 6.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 13 and 14.

Notes to Financial Schedules

For the Two Fiscal Years Ended June 30, 1990

1. Summary of Significant Accounting Policies

Basis of Accounting

The Commissioner of Political Practices uses the modified accrual basis of accounting for its Governmental Funds which is described in the Montana Operations Manual. In applying the modified accrual basis, the office records revenues when it receives cash or when receipts are measurable and available to pay current period liabilities. It records expenditures for valid obligations when the office incurs the related liability and it is measurable.

The following additional items are considered valid obligations or expenditures under state accounting policy:

- The entire budgeted service contract even though the office received the services in a subsequent fiscal year.
- Goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end.
- Equipment ordered with a purchase order before fiscal year-end.
- Obligations for employees' vested annual leave and sick leave are recorded as expenditures when paid.

Basis of Presentation

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The office uses the following funds:

Governmental Funds

General - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

Notes to Financial Schedules

- **2. Annual and Sick Leave**

Employees at the office accumulate both annual and sick leave. The office pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The office absorbs expenditures for termination pay in its annual operational costs. At June 30, 1990, the office had a liability of \$6,797.
- **3. Pension Plan**

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contribution to PERS was \$3,669 in fiscal year 1988-89 and \$4,260 in fiscal year 1989-90.
- **4. General Fund Balance**

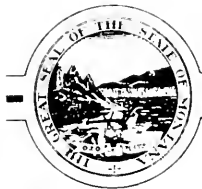
The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within its appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.
- **5. Nonbudgeted Revenue**

The office had nonbudgeted revenue in the General Fund of \$4,450 in fiscal year 1988-89 and \$147 in fiscal year 1989-90. This revenue results from lobbyist permits issued as required by section 5-7-103, MCA.
- **6. Fund Classification Change**

House Bill 2, Laws of 1987, appropriated funds in both the General Fund and the Special Revenue Fund. The Special Revenue Fund was to record fees collected for reimbursement of copier charges and to record fees and costs relating to the Campaign Financing book. House Bill 100, Laws of 1989, appropriated the office's activity in the General Fund. It further required the fees collected for reimbursement of copier charges and sales of the booklet be recorded in the General Fund.

Agency Response

COMMISSIONER OF
POLITICAL PRACTICES



STATE OF MONTANA

DOLORES COLBURG
COMMISSIONER
TELEPHONE (406) 444 2942

CAPITOL STATION
1205 EAST EIGHTH AVENUE
HELENA, MONTANA 59620-2401

April 8, 1991

8 1991

Julie Quist
Audit Manager
Office of the Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Ms. Quist:

Enclosed is my response to the draft report of the audit that was conducted of this office for fiscal years 1989 and 1990. I trust that it is in the format you wish for the final report.

Also, as you requested, I return herewith the draft copy of the audit that you provided to me on March 28, 1991.

Sincerely,

Dolores Colburg
DOLORES COLBURG

Enclosures

Response of the Commissioner of Political Practices to the recommendations in the financial-compliance audit of the office for the period July 1, 1988, through June 30, 1990.

Recommendation #1

We recommend the office submit reports to the legislature and governor as required by state law.

Concur in the recommendation. The expected approval by the 52nd Legislature to add a biennial half-time position (.25 FTE) should apportion the office workload more evenly thus allowing for the preparation and required distribution of reports in timely fashion in the future. Also, it is anticipated that reports for prior years will be forthcoming before this calendar year is out.

Recommendation #2

We recommend the office:

- A. Implement a budget monitoring system to ensure the initial approved operating plan is recorded on the Statewide Budgeting and Accounting System, and
- B. Submit operating plan amendments when modifications to the original operating plan are needed.

Concur in the recommendation. A budget monitoring system already is in place to ensure in the future that all initial approved operating plans are properly recorded on SBAS. Further, action already has been taken to ensure that operating plan amendments will be submitted when modifications to an original operating plan are needed.

